



2010

FAIR LABOR ASSOCIATION INDEPENDENT EXTERNAL MONITORING REPORT

COMPANY: Nike, Inc., American Eagle Outfitters, Inc.

COUNTRY: China

FACTORY CODE: 07021511681

MONITOR: Social Compliance Service Asia Ltd.

AUDIT DATE: October 27 – 28, 2010

PRODUCTS: Garments

PROCESSES: Cutting, Embroidery, Sewing, Washing, Packaging

NUMBER OF WORKERS: 1571

Company Comment: American Eagle Outfitters (AEO) has been sourcing from the reported facility through one of its agents and for an agreed timeframe which ended a few months after the IEM was conducted. Notwithstanding the fact that the business was knowingly being completed, AEO carefully examined the findings, visited the facility in December 2010 and put together a plan of action together with the management, as cited in the issued report. Per prior plan, the production finished business with the audited facility in March 2011, therefore allowing adequate time to address initial steps and recommend long-term plans. Since it was brought into AEO's attention that Nike (Converse) has also been sourcing from the audited factory, AEO collaboratively forwarded its remedial plans to the said company without further commitment. However, if the sourcing decides to reinstate business with the same factory in future, AEO will re-commit to engage in steps to follow-up, improve and verify.



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Wages, Benefits and Overtime Compensation: Holidays, Leave, Legal Benefits and Bonuses

WBOT.5 Employers shall provide all legally mandated holidays, leave, benefits and bonuses, such as official holidays, annual leave, sick leave, severance payments and 13th month payments, to all eligible workers within legally defined time periods. In addition, all leave and bonuses shall be calculated correctly. (S)

Noncompliance

Explanation: Inadequate social benefits: Based on the provided social insurance contribution receipt for September 2010, 1074 out of 1648 employees were provided with work-related injury insurance, 603 out of 1648 employees were provided with medical, pension and unemployment insurances, and 16 out of 1648 employees were provided with maternity insurance. Factory had purchased commercial work-related injury and medical insurance for 500 employees for the period of October 20, 2009 until October 21, 2010 (PCC Property and Casualty Company Limited – Policy number 4400900017946).

Legal Reference: Article 73 of PRC Labor Law

Plan Of Action: American Eagle Outfitters (AEO) will ensure the following actions are taken by the factory:

Immediate action: Factory will purchase commercial insurance to ensure 100% provision of work-related injury insurance.

Long-term remedial plan: 1) Factory to let employees know during recruitment that it's their legal obligation to participate in social security insurance and the benefit/advantage of joining. 2) Factory set to increase the total social insurance coverage by 5% per year. 3) Factory will review current policy and procedures regarding social insurance coverage on a regular basis to see if any updates are required.

Converse has a plan to provide 40% coverage for all national requirements and 100% for work-related injury insurance. These are immediate actions to meet our benchmarks, and a step-wise increasing plan must be implemented to achieve 100% coverage by December 31, 2013.

January 4, 2013 Converse update: Converse plans 100% coverage for 5 types of social insurance by May 31, 2013. The following timeline shows that the factory is committed to get 100% coverage for all social insurance categories by the end of May 2013, 70% by the end of August 2012, 80% by the end of November 2012, 90% by the end of February 2013, and 100% by the end of May 2013.

**Deadline
Date:** 05/31/2013

**Action
Taken:** December 3, 2010: Factory will start to include information on the benefits/advantages of joining social insurance during recruitment.

June 24, 2011 Converse visit: Per May receipt, 599 out of 904 employees (66%) were provided with social insurance for pension, unemployment and illness, 16 (1.7%) were provided maternity insurance, and 100% were provided work-related insurance. Also, the benchmarks and step-wise plan for all types of social insurance was communicated with factory management: 40% coverage by December 2011, 50% coverage by March 2012, 60% coverage by June 2012, 70% coverage by September 2012, 80% coverage by December 2012, 85% coverage by March 2013, 90% coverage by June 2013, 95% coverage by September 2013 and 100% coverage by December 2013. Factory director is responsible for this plan, and Converse will follow up on its implementation through an on-site visit/ audit or document review quarterly.

December 28, 2011 Converse labor audit: In November 2011, 100% of employees participated in work-related injury social insurance, 67% (576/864) in pension, unemployment, and medical insurance, 1.9% (16/864) in maternity insurance. The above mentioned improvement plan was emphasized with factory management.

May 21-22, 2012 Converse internal labor audit: Reviewed March and April 2012 social insurance pay records; 70% of total employees participated in pension, unemployment, medical, maternity insurance, and 100% in work-related injury insurance.

September 18, 2012 Converse internal labor audit: From review of social insurance pay records from June to August 2012, 71% (532/750) of total employees participated in pension, unemployment, medical, maternity insurance, and 100% in work-related injury insurance. (Factory did not buy commercial accident insurance for workers.) Also, factory promised to follow an increasing plan to hit 100% for all types of social insurance: November 2012: 80%, February 2013: 90%, May 2013: 100%.

Plan No
Complete:

Plan
Complete
Date:

Wages, Benefits and Overtime Compensation: False Payroll Records

WBOT.19 Employers shall not use hidden or multiple payroll records in order to hide overtime, to falsely demonstrate hourly wages, or for any other fraudulent reason. Payroll records maintained shall be authentic and accurate. (P)

Noncompliance

Explanation: Laundry and embroidery department operated 2 shifts: 08:00 - 19:00 and 19:00 - 06:00, which included 1.5 hours of overtime and a 1.5 hour meal break per shift. They worked 6 days a week, from Monday - Saturday, and Saturday (normally a rest day) was compensated as overtime work. Frequently, night overtime work for 1.5 hours was arranged. It was noted the workers' weekly work hours range from 54 to 57 hours and all workers are guaranteed at least 1 rest day off on Sunday. Inconsistencies were noted during detail testing with the provided time record along with payroll and other production related records. (Production output, material and trim requisition, delivery records, etc.) These records reflected that workers were working various Sundays in different months, such as May, June, September and October 2010. (For instance, June 6, 2010 and May 9, 2010.) However, corresponding time and payment records showed that workers were not required to work on any Sunday.

It appeared that time records and payroll were not reliable and failed to accurately reflect workers' actual working hours, wages and benefits at the facility. Information gathered from workers' interviews and other sources were actually leading to the same conclusion, as there were apparent discrepancies between information on time and payment records and information obtained during workers' interviews. Therefore, workers' actual work hours, wages and benefits could not be accurately verified.

Legal References: Article 51, Article 45, and Article 38 of PRC Labor Law

Plan Of Action: AEO reinforced that transparency is one of the most important elements in the relationship between AEO and the supplier, and that the supplier should understand and cooperate at all times. AEO will ensure the following actions are taken by factory:

Immediate action: 1) Factory will enhance internal communication on the work hour system through training, and 2) train employees to not keep any "unofficial records" to ensure accuracy of records.

Long-term remediation plan: provide accurate records for review

In addition to the above plan, Converse will immediately express to top management the importance of: 1) transparency and cooperation for a healthy social compliance system, and 2) a healthy business relationship between Converse and the factory.

Upon follow-up visit, Converse will ensure that the factory has: 1) the confidence to maintain 100% transparency and provide all real and accurate information for review, and 2) a designated person and system to ensure accuracy of time, payroll, related production records, etc.

Deadline Date: 06/30/2011

Action Taken: December 3, 2010: Provide training to employees of all levels by May 31, 2011.

June 24, 2011 Converse visit: The importance of 1) transparency and cooperation for a healthy social compliance system and 2) a healthy business relationship has been clearly communicated between PC (parent company), the business unit, and the factory top management. No inconsistency found through a crosscheck of production records, employee interviews, and records from the swiping of time cards. Per production records, we found some workers worked Sundays in May (the 8th, 15th, 22nd) 2011, but they took a rest day on the following Mondays (the 9th, 16th, 23rd); this is consistent with records from the swiping of time cards.



December 28, 2011 Converse labor audit: No inconsistent time records and working hour violations were identified through a crosscheck during the audit. This issue can be closed.

September 18, 2012 Converse internal labor audit: Factory showed full transparency to auditors and no inconsistency was identified during the audit.

Plan Complete: Yes

Plan Complete Date: 06/24/2011

Wages, Benefits and Overtime Compensation: Record Maintenance

WBOT.21 Employers shall ensure that all legally required payroll documents, journals and reports are available, complete, accurate and up-to-date. (P)

Noncompliance

Explanation: Factory management could not provide any payroll records for 53 workers found working in the sewing line (as sewing operators, in line and end line checkers, etc.) on the 4th floor of production building B. Factory management reported that these workers were there on trial and the period would not exceed 1 month. Therefore, they only kept a name list for these workers and issued them an entry and exit card.

Code provision or practice: Employers shall ensure that all legally required payroll documents, journals and reports are available, complete, accurate and up-to-date.

Plan Of Action: AEO will ensure the following actions are taken by factory:

Immediate action: 1) All trial employees' payroll records will be recorded. 2) Factory will establish detailed policy and procedures for trial employees and will provide training to all related parties about the newly established policy/procedures.



Long-term remedial plan: Regular internal audit will include trial employees' management going forward. In agreement with the plan laid out above, Converse will assume the responsibility of remediation and follow up on this matter.

**Deadline
Date:** 06/30/2011

**Action
Taken:** December 3, 2010: Detailed policy and procedure for trial employees will be available by April 30, 2011.

June 24, 2011 Converse visit: 1) Factory set up the new hiring policy that indicates the trial period is no more than 7 days for job candidates. Then the factory must decide whether they will be hired or not. The policy also indicates that the ID cards of job candidates will be checked. 2) Per provided records, the factory noted that there have been 4 job candidates on trial for 1 or 2 days in March and April 2011 before being hired by the factory. Factory recorded their ID card numbers and took the work hours and wage issue records manually and kept them with the worker's written confirmation. The wage is in compliance with the law. However, their ID card copies weren't kept in the factory.

December 28, 2011 Converse labor audit: No violation in record keeping was identified during the audit, and all necessary documents including ID card copies, payroll records, and time records could be provided for review for all employees, including trial employees. This issue can be closed.

**Plan
Complete:** Yes

**Plan
Complete
Date:** 12/28/2011

Forced Labor: Employment Records

F.9 Employers shall maintain sufficient hiring and employment records to demonstrate and verify compliance with this Code provision. (P)

Noncompliance

Explanation: Factory management could not provide any hiring and employment records, such as documents proving age, time records, payroll records, personnel files, employment contracts, history, etc., for 53 workers found working in the sewing line (as sewing operators, in line and end line checkers, etc.) on the 4th floor of production building B. Factory management stated that these workers were there on trial and that the period will not exceed 1 month. Therefore, they had only to keep a name list for these workers and to issue them with an entry and exit card.

Sources: employment contracts, personnel files, worker interviews, and management interviews

Code provision or practice: Employers shall maintain sufficient hiring and employment records to demonstrate and verify compliance with this code provision.

Plan Of Action:

PC will ensure the following actions are taken by factory:

Immediate action: 1) All trial employees' proof of age will be collected at the time the trial starts, and all payroll and time records will be recorded. 2) Factory will establish detailed policy and procedures for trial employees and provide training to all related parties about the newly established policy/procedure.

Long-term remedial plan: Regular internal audit will include trial employees' management going forward.

Deadline Date:

06/30/2011

Action Taken:

December 3, 2010: Detailed policy and procedure for trial employees will be available by April 30, 2011.



June 24, 2011 Converse visit: 1) Factory set up the new hiring policy indicating that the trial period is to be no more than 7 days for job candidates before making the decision whether to hire or not. The policy also indicates that the ID cards of the job candidates will be checked. 2) Per provided records, it was noted that there have been 4 job candidates on trial for 1 or 2 days in March and April 2011 before being hired by factory. Factory recorded their ID card numbers and took their work hours and wage issue records manually and kept them with the worker's written confirmation. The wage is in compliance with the law. However, the copy of their ID cards weren't kept in the factory.

December 28, 2011 Converse internal labor audit: No violation in record keeping was identified during the audit, and all necessary documents including an ID card copy, a payroll record, and time records could be provided for review for all employees, including trial employees. This issue can be closed.

Plan Yes
Complete:

Plan 12/28/2011
Complete
Date:

Freedom of Association: Right to Freely Associate

FOA.2 Workers, without distinction whatsoever, shall have the right to establish and, subject only to the rules of the organization concerned, to join organizations of their own choosing without previous authorization. The right to freedom of association begins at the time that a worker seeks employment, and continues through the course of employment, including eventual termination of employment, and is applicable as well to unemployed and retired workers. (S)

Noncompliance

Explanation: FLA comment: The Chinese constitution guarantees Freedom of Association (FOA); however, the Trade Union Act prevents the establishment of trade unions independent of the sole official trade union - the All China Federation of Trade Unions (ACFTU). According to the ILO, many provisions of the Trade Union Act are contrary to the fundamental principles of FOA, including the non-recognition of the right to strike. As a consequence, all factories in China fall short of the ILO standards on the right to organize and bargain collectively. However, the government has introduced new regulations that could improve the functioning of the labor relations' mechanisms. The Amended Trade Union Act of October 2001 stipulates that union committees have to be democratically elected at members' assemblies and trade unions must be accountable to their members. The trade union has the responsibility of consulting with management on key issues of importance to their members and to sign collective agreements. Trade unions also have an enhanced role in dispute resolution. In December 2003, the Collective Contracts Decree introduced the obligation for representative trade unions and employers to negotiate collective agreements, in contrast to the previous system of non-negotiated administrative agreements.

Monitor's note: There was no union established in the factory.

Plan Of Action: We acknowledge that labor relations in China do not meet core ILO standards due to the maturity level of their industrial relations. We acknowledge a long-term, joint advocacy effort is needed to enable better labor relations in China. Nike has met with a number of global organizations, trade unions, non-governmental organizations and multi-stakeholder initiatives regarding our approach to industrial relations. In 2008, Nike, Inc. began implementing Human Resource Management Workshops in a number of countries, including China, to raise awareness of good labor practices.

Deadline Date: 12/31/2011

**Action
Taken:**

Plan **No**
Complete:

Plan
Complete
Date:

Child Labor: Proof of Age Documentation

CL.3 Employers shall collect and maintain all documentation necessary to confirm and verify date of birth of all workers, such as birth certificates. In addition, the employers shall take reasonable measures to ensure such documentation is complete and accurate. (P)

Noncompliance

Explanation: Factory management could not provide any documents, including proof of age documents, for 53 workers working in the sewing line (as sewing operators, in line and end line checkers, etc.) on the 4th floor of production building B.

Sources: personnel records, employment contracts and worker interviews

Code provision or practice: employers shall collect and maintain all documentation necessary to confirm and verify date of birth of all workers, such as birth certificates. In addition, the employers shall take reasonable measures to ensure such documentation is complete and accurate.

**Plan Of
Action:** AEO will ensure the following actions are taken by the factory:

Immediate action: 1) All trial employees' proof of age documents will be collected at the time the trial starts. 2) Factory will establish detailed policy and procedures for trial employees and provide training to all related parties about the newly established policy/procedures.



Long-term remedial plan: Regular internal audit will include trial employees' management going forward. In agreement with the plan laid out above, Converse will assume the responsibility for remediation and follow up of this matter.

**Deadline
Date:** 06/30/2011

**Action
Taken:** December 3, 2010: Detailed policy and procedure for trial employees will be available by April 30, 2011.

June 24, 2011 Converse visit: 1) Factory set up the new hiring policy, which indicates that the trial period is no more than 7 days for job candidates. Then a decision must be made about whether they will be hired or not. The policy also indicates that the ID cards of the job candidates will be checked for age verification. 2) Per provided records, Converse noted that there have been 4 job candidates who were on trial for 1 or 2 days in March and April 2011 before being hired by the factory. Factory recorded their ID card numbers and recorded their work hours and wage issue records manually and kept them along with the worker's written confirmation. The wage is in compliance with the law. However, copies of their ID cards weren't kept in the factory.

December 28, 2011 Converse internal labor audit: No violation in record keeping was identified during the audit, and all necessary documents including an ID card copy, payroll documents, and time records could be provided for audit review for all employees, including trial employees. This issue can be closed.

**Plan
Complete:** Yes

**Plan
Complete
Date:** 12/28/2011

Health and Safety: General Compliance Health and Safety

H&S.1 Employers shall comply with all local laws, regulations and procedures concerning health and safety. (S)

Noncompliance

Explanation: Based on the provided health check records for workers working in the laundry department, it was noted that the available records were not the appropriate occupational health checks per the legal requirement. Besides, it was noted that the factory did not provide regular occupational health checks to employees in water treatment plant, who were in contact with hazardous materials.

Sources: worker interviews, document review

Legal Reference: Article 32, the Law of the People's Republic of China on the Prevention and Treatment of Occupational Diseases

Plan Of Action: AEO will ensure the following actions are taken by factory:

Immediate action: Identify appropriate health check requirements for washing section and provide health checks to all applicable employees after the completion of the Asia Game.

Long-term remedial plan: 1) Establish internal system to ensure occupational health checks are conducted in a timely manner. 2) Conduct internal audits to check on the implementation. Converse also encourages the factory to: 1) create personnel files for each operator exposed to a hazardous environment, and 2) arrange follow-up exams by the doctor.

Deadline Date: 08/31/2011

Action Taken: December 3, 2011: All applicable employees will have appropriate occupational health checks done by April 30, 2011.

June 24, 2011 Converse visit: 1) The factory arranged for all 20 workers from the laundry department, including the 3 workers in the WWTP, to have occupational health checks in April 2011. No occupation-related illness was found in the summary reports. 2) The factory is planning to coordinate with the local CDC for re-checking and is expected to complete this re-check by the end of September 2011.

October 19, 2011 Converse ERA audit: A clinic is available in the facility, occupational health checks are conducted annually, and a procedure has been drafted. Factory did health checks for hazards-exposed employees and records are being kept.

Plan Yes
Complete:

Plan 10/19/2011
Complete
Date:

Health and Safety: Evacuation Requirements and Procedure

H&S.9 All applicable legally required or recommended elements of safe evacuation (such as posting of evacuation plans, the installation and maintenance of an employee alarm and emergency lighting systems, ensuring aisles/exits are not blocked and that workers are not blocked within their workstations, employee education, evacuation procedures, etc.) shall be complied with. Workers shall be trained in evacuation procedures. Alarm systems shall be regularly tested and evacuation drills shall be undertaken at least annually. (S)

Noncompliance

Explanation: 1) In the raw material warehouse, it was noted that the distance between the bottom of the lighting and the stored material was less than the legal requirement of 0.5 meters.

Source: factory tour

Legal Reference: Article 39 of The Plan for Warehouse Fire Prevention, Safety, and Management

2) It was noted that 1 out of 2 safety exits in the finished goods warehouse was fully blocked by production material.

Source: factory tour

Legal Reference: Article 28 of The Fire Prevention Law of the People's Republic of China

3) During the factory tour, it was noted that 3 designated emergency/ safety exits in Block B production building had no emergency lighting.

Source: factory tour

Legal Reference: Article 11.3.1 of the Code for the Design of Buildings, Fire Protection and Prevention

**Plan Of
Action:**

AEO will ensure the following actions are taken by the factory:

Immediate action: 1) The distance between the bottom of the lighting and the stored material must be at least 0.5 meters. 2) All exits must be free of obstacles. 3) Designated emergency exits must be equipped with emergency lighting.

Long-term remedial plan: 1) Factory must designate a person who is tasked with managing health, safety and environmental risks in the factory. 2) An internal audit should verify the implementation of the new policy, identify areas of improvement and verify CAP follow up. Due to the reported issues being rectified, Converse will follow up and ensure that the new policy is sufficient and has been implemented.

**Deadline
Date:**

06/30/2011

**Action
Taken:**

December 3, 2010: All issues have been rectified. A new policy will be established; the section supervisor will be required to tour around the section along with the health and safety officer during random patrols to enhance awareness by April 30, 2011.

October 19, 2011 Converse ERA audit: 1) All material is 0.5 meters away from lighting. 2) No exits are blocked. 3) Emergency lights are equipped. 4) Factory built a system for regular fire safety inspections and there is a person in charge of this system.

Plan Yes
Complete:

Plan 10/19/2011
Complete
Date:

Health and Safety: Material Safety Data Sheets/Worker Access and Awareness

H&S.14 Material Safety Data Sheets (MSDS) for all chemicals used in the factory must be available at the usage and storage sites of the chemicals, in the local language and the language(s) spoken by workers, if different from the local language. Workers shall have free access to MSDS. (P)

Noncompliance

Explanation: It was noted that there was no MSDS (Material Safety Data Sheet) available for the chemicals in use such as H₂SO₄, Potassium Dichromate, Silver Sulfair, etc., at the treatment plant laboratory.

Sources: factory tour, chemical list review

Legal Reference: Article 27 of the Regulation For Chemical Usage Safety in the Workplace

Plan Of Action: AEO will ensure the following actions are taken by the factory:

Immediate action: All missing MSDS are now available at the laboratory.

Long-term remedial plan: 1) Training will be conducted for employees who work in the laboratory. 2) An internal audit should verify the implementation of the new policy, identify areas of improvement and verify CAP follow up. In addition to the above plan, Converse will ensure that chemical hazards communication is established, maintained and implemented for all the workers, including ensuring that: 1) The MSDS are updated and accurate, 2) labels on containers are updated and accurate, and 3) training is provided for the workers.

Deadline Date: 06/30/2011



Action Taken: [December 3, 2010:](#) All identified issues have been rectified. Training will be conducted for employees who work in the laboratory and the regular internal audit, which will include this aspect going forward, and will be done by April 15, 2011.

[June 24, 2011 Converse visit:](#) Observed that proper MSDS have been provided for all chemicals and were checked for accuracy. The labels on containers are accurate. The interviewed workers were found to be aware of how to read MSDS, chemical labels, and how to protect themselves and respond to an emergency.

[October 19, 2011 Converse ERA audit:](#) Good MSDS documentation and communication. Secondary containment and MSDS are available at the chemical warehouse, chemical usage, and dispensing areas.

Plan Complete: [Yes](#)

Plan Complete Date: [06/24/2011](#)

Health and Safety: Machinery Maintenance and Worker Training

H&S.18 All production machinery, equipment and tools shall be regularly maintained and properly guarded. Workers shall receive training in the proper use and safe operation of machinery, equipment and tools they use. Employers shall ensure safety instructions are either displayed/posted near all machinery or are readily accessible to the workers. (S)

Noncompliance

Explanation: [It was noted that there were 4 sewing machines not equipped with needle guards, 2 out of 10 bartack machines not equipped with protective eye shields, and 3 snap button machines not equipped with safety bars in sewing workshop D.](#)

[Source: factory tour](#)



Legal Reference: Article 6.1.6 of Code of Design of Manufacturing Equipment Safety and Hygiene

Plan Of Action:	<p>AEO will ensure the following actions are taken by factory:</p> <p><u>Immediate action:</u> All removed safety devices will be re-installed on the machines.</p> <p><u>Long-term remedial plan:</u> 1) Provide refreshment to all line supervisors. 2) Some staff will assume the responsibility of making sure employees do not remove the safety devices on their lines. 3) Internal audit should verify the implementation of the new policy, identify areas of improvement and follow up on the CAP. In agreement with the plan laid out above, Converse will assume the remediation and follow up of this matter.</p>
Deadline Date:	06/30/2011
Action Taken:	<p><u>December 3, 2010:</u> All identified issues have been rectified. Training will be conducted for employees and the regular internal audit will include this aspect going forward and will be done by April 15, 2011.</p> <p><u>June 24, 2011 Converse visit:</u> All the sewing machines, including bartack, snap, and the button-pressing machines are equipped with machine guards. During the visit, we found that workers use machine guards properly, and the workers were interviewed to determine how they respond to machine guard problems when they occur.</p>
Plan Complete:	Yes
Plan Complete Date:	06/24/2011

Hours of Work: Time Recording System

HOW.6 Time worked by all workers, regardless of compensation system, shall be fully documented by time cards or other accurate and reliable recording systems such as electronic swipe cards. Employers are prohibited from maintaining multiple time-keeping systems and/or false records for any fraudulent reason, such as to falsely demonstrate working hours. Time records maintained shall be authentic and accurate. (P)

Noncompliance

Explanation: No time records were found for 53 workers found working in the sewing line (as sewing operators, in line and end line checkers, etc.) on the 4th floor of production building B.

Inaccurate time recording: Even though the production records reflected that workers were working on various Sundays in different months, such as May, June, September, and October 2010, (For instance, June 6 and May 9, 2010) corresponding time records did not have any entries on these dates.

Sources: factory tour, personnel records, attendance records, payroll records, employment contracts, worker interviews and management interview, etc.

Legal Reference: Article 10 of the Law of the People's Republic of China on Employment Contract

Plan Of Action:

AEO will ensure the following actions are taken by the factory:

Immediate action: All trial employees' time records will be recorded. 2) Factory will establish detailed policy and procedures for trial employees and will provide training to all related parties about the newly established policy/procedures.

Long-term remedial plan: Regular internal audit will include trial employees' management going forward. Along with the above plan, Converse will ensure that: 1) Factory sets an effective system to record all working hours for all employees, including trial employees, in the same timekeeping system. 2) Factory must train employees and managerial supervisors on the importance of accuracy in the records and to not use any "unofficial/multiple/hidden records" for working hours, payment, and benefits.



Deadline Date: 06/30/2011

Action Taken: [December 3, 2010](#): Detailed policy and procedure for trial employees will be available by April 30, 2011.

[June 24, 2011 Converse visit](#): 1) Factory set up the new hiring policy indicating that the trial period is no more than 7 days for job candidates, and then a hiring decision must be made. The policy also indicates that ID cards of the job candidates will be checked for age verification. 2) Per the provided records, we noted that there were 4 job candidates on trial for 1 or 2 days in March and April 2011 before being hired by factory. Factory recorded their ID card numbers and recorded their work hours and wage issue records manually and kept them with the worker's written confirmation. The wage is in compliance with the law. However, a copy of their ID cards weren't kept at the factory. 3) No inconsistency found through a crosscheck of the production records, employee interviews, and the records from the swiping of the time cards. Per the production records, we found some workers worked Sundays in May 2011 (the 8th, 15th, 22nd), but they took a rest day on the following Monday (the 9th, 16th, 23rd), and this is consistent with the records from the swiping of time cards.

[December 28, 2011 Converse internal labor audit](#): No inconsistent time records and working hour violations were identified through a cross check during the audit. This issue can be closed.

Plan Complete: Yes

Plan Complete Date: 12/28/2011
